

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Expanded Meeting with President Putin of
Russia (U)

PARTICIPANTS: The President
Alexander Vershbow, Ambassador to Russia
Colin Powell, Secretary of State
Donald L. Evans, Secretary of Commerce
Andrew Card, Assistant to the President
and Chief of Staff
Condoleezza Rice, Assistant to the President
for National Security Affairs
Karen Hughes, Counselor to the President
Ari Fleischer, Assistant to the President
and White House Press Secretary
John Bolton, Assistant to the President and
Deputy Chief of Staff for Policy
Elizabeth Jones, Assistant Secretary of
State for European and Eurasian Affairs
J.D. Crouch, Assistant Secretary of Defense
for International Security Policy
Daniel Fried, Special Assistant to the
President and Senior Director for European
and Eurasian Affairs, NSC Staff
(Notetaker)
Steve Pifer, Deputy Assistant Secretary of
State for European and Eurasian Affairs
Brig Gen Frank Klotz, Director for
Nuclear Policy and Arms Control, NSC
Staff
Pamela Quanrud, Director for European and
Eurasian Affairs, NSC Staff, (Notetaker)
Interpreter

Vladimir Putin, President
Mikhail Kasyanov, Prime Minister
Vladimir Rushaylo, Secretary, Security

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Classified by: Stephen E. Biegun

Reason: 1.5(d)

Declassify on: 5/28/12

Council

Igor Ivanov, Foreign Minister
Aleksey Gordeev, Minister of Agriculture
Sergey Ivanov, Defense Minister
Dmitriy Medvedev, First Deputy Head of
Presidential Administration
Sergey Prikhodko, Deputy Head of the
Presidential Administration and Chief,
Foreign Policy Directorate
Aleksandr Rumyantsev, Minister of Atomic
Energy
German Gref, Minister of Economic
Development and Trade
Igor Yusufov, Minister of Energy
Yiriy Ushakov, Russian Ambassador to the
United States
Yiriy Koptev, Director General, Russian
Aviation and Space Agency
Georgiy Mamedov, Deputy Foreign Minister
General Yuriy Baluyevskiy, First Deputy
Chief of General Staff of Russian Armed
Forces
Vladimir Chkhikvishvili, Director,
Department of North American Affairs,
Ministry of Foreign Affairs
Yuriy Filatov, Deputy Director, Department
of North American Affairs, Ministry of
Foreign Affairs
Interpreter

DATE, TIME May 24, 2002, 11:25 - 12:10 p.m.
AND PLACE: The Kremlin

President Putin: Welcome to the capital of Russia and the heart
of Russia, here in the Kremlin in Moscow. This is an historic
occasion, the first visit of President Bush to the Russian
Federation. (U)

I am pleased to note that this visit is of an entirely different
quality than all other visits by a U.S. President to Russia.
Prior Presidential visits were dedicated to overcoming the
contradictions in our relationship. (C)

We meet today to attest to our new relations. Our focus now is
our security, strategic arms reduction, and our joint
participation in efforts to create a safer new world. (C)

This agenda reflects a growing trust in our relations. All of this has developed over the past twelve to eighteen months, thanks to the President and his team. (S)

I am therefore especially pleased to receive you here in Moscow, in St. Catherine's Hall. (U)

I recall well the welcome I received during my visit to the United States last November. I want to respond in kind to the hospitality I was shown at the President's ranch in Crawford. That meeting served as a powerful thrust to our relations. (U)

The President: Many thanks for the hospitality. This is a beautiful room in which we are meeting today. (U)

The treaty we will sign today is more than a strategic nuclear reduction agreement. It is a sign of our friendship. It should help cast away doubts about whether or not we are still enemies. (S)

I look forward to dinner at your home this evening. It is important that the world read that we worked all day, but then settled down at the end of the day for a dinner together. (U)

Getting to this day has required your leadership, President Putin, your vision. This is a vision of the world which is more peaceful, more prosperous, for all. (U)

President Putin: Let us now review the results of the serious talks we just completed. We discussed strategic stability, international security, and limitations on strategic offensive weapons. (S)

I want to express my special gratitude to the members of the United States and Russian teams that put much fruitful work into this effort. I'd like to turn to Foreign Minister Ivanov to brief us further on these issues. (S)

Foreign Minister Ivanov: Mr. President, I would like to point out to you that over the last months U.S.-Russian relations have intensified substantially. This foundation is represented in the agreement to be signed today and in the previous four summit meetings between our two countries. (S)

Looking ahead, I'd like to note our areas of cooperation. (S)

We want to reinforce the international anti-terrorism coalition. We need to bring the coalition to a solid treaty basis. We want to transform our Afghanistan Working Group into an effort to combat terrorism, especially chemical, biological, and nuclear terrorism. (S)

Second, we want to take steps to enhance our nonproliferation and strategic stability efforts. The treaty we will sign today and our Joint Declaration lay out the way forward. These documents, as signed by the most powerful states in the world, confirm our role in the security of the international system. Mr. President, we have agreed to set up a Working Group on Strategic Stability. (S)

We want to sign a framework on international organizations to upgrade our ability to face the challenge of international terrorism. (S)

We are working to address regional crises, in Afghanistan, Iraq, although we have our differences there, and in the Middle East. The role of our two countries in resolving these problems is key. (S)

We note that our favorable external cooperation helps broaden our economic cooperation. To improve this in the future, we need to broaden our people-to-people contact. The statement we will make today on this issue shows our commitment to these issues, including humanitarian assistance and other arenas of cooperation. (S)

Secretary Powell: Foreign Minister Ivanov has summarized well the areas of our broad cooperation. (S)

I'd like to thank Igor Ivanov and Sergey Ivanov for working with me to reach the treaty we will be signing today. The Consultative Group of our four ministers, Foreign and Defense, has important work ahead. I know Don Rumsfeld agrees with me on this. (S)

I'd also like to thank you for your work in the Quartet and the forward movement we are trying to achieve on the Middle East Peace Process. (S)

President Putin: Let us turn to economic issues. Minister Gref? (S)

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Minister Gref: Thank you. I'd like to review the results of my talks with Secretary Evans over the past two days. (S)

We made progress on a number of important issues. I'll review the most important issues we covered. (S)

On the determination of the Russian Federation as a Market Economy, we believe we have answered all the questions that have been raised in the context of the petition the Russian Federation filed last year. In our conversations, Secretary Evans and I discussed this process, and we welcome that Secretary Evans has agreed to make a final determination by June 14. (S)

We are concerned that Russia has still not been graduated from the provisions of the Jackson-Vanik amendment. This stands in the way of Russia being granted permanent normal trade relations to Russian firms. We agreed to continue to work with the U.S. Congress on this issue. (S)

We discussed as well the restrictions placed on Russian steel exports to the United States under the 201 action taken earlier this year. This is a serious issue for Russia. It constrains our metallurgy cooperation and hurts the Russian metallurgy industry. (S)

We agreed to address further questions on antidumping and compensation through consultations that will begin next Monday in Washington. Our industry representatives will participate in these talks. Next week we will set deadlines as well for resolving these issues. (S)

We will also discuss the OECD talks on constraining steel production. (S)

As regards poultry, this is no longer a problem. All the issues here have been resolved. (S)

We also discussed a number of projects. In the oil sector, we looked at ExxonMobil's shipping deal. We talked about cooperation in the space and missile launch industry, as well as cooperation in aviation and joint manufacturing. We talked about the need for new customs procedures to facilitate the movement of goods between markets. On energy, we note that our colleagues, Ministers Yusufov and Abraham have been working on this, and that we have agreed on an energy statement for today to advance this relationship. (S)

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There are a number of issues that will require our further attention. (S)

The Russian Federation should be exempt from U.S. modern technology export restrictions. (S)

It is extremely important to resolve the steel issues between us, which we could perhaps fix with a bilateral agreement. (S)

On Russia's WTO accession, we discussed this at length. Together with U.S. Trade Representative Zoellick, we are addressing a detailed workplan. The United States is taking a tough stance on energy pricing practices in the Russian Federation. This is outside normal WTO accession requirements. We want the United States to welcome the Russian Federation into the WTO on standard conditions. (S)

Secretary Evans: This was our third meeting, Mr. President. We agreed to a workplan of priority issues to improve our trade and investment relationship. (S)

We have made great progress on this list. We have made important advances on Russia's WTO accession, on Ex-Im lending to Russia, on bank reform, and in promoting small and medium business development in Russia. (S)

We also made progress on the commercial side. We visited Ford's new \$140 million facility outside St. Petersburg. I saw General Motor's \$300 million investment in Samara. In Samara, I also saw the unloading of 142 harvesters and other farm equipment from the United States, sold by CaseNewHolland and financed by the first loan under the Export Import Bank's new sub-sovereign loan facility: (S)

We have seen much progress over the past ten months. Ten months ago, the business community asked if they should invest in Russia. Now they ask how to invest in Russia. Our work is sending the right signal to U.S. business. (S)

We still have work to do. On steel, we made some progress. On poultry, I am not sure we can say this issue is resolved, but we hope it will be soon. We need to work through this issue with good faith and professionalism. (S)

On Russia's WTO accession, we will want to put particular emphasis on Intellectual Property Rights. We do this worldwide,

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and it is a cornerstone of our trade policy. Moreover, the free movement of technology between our countries depends on Intellectual Property Rights protections. (S)

I would like to congratulate your government on your efforts in the tax, land, judicial, and telecommunications reforms underway in Russia. (S)

We spent time talking about energy as well. Clearly there is the possibility of a surge in Russia's capacity to export oil if the Production Sharing Agreement framework is completed through Duma and regulatory action. (S)

This is important to both the economy of the Russian Federation and the global economy. The increases in production in the Russian Federation have kept pace with the increase in world demand for oil over the past eighteen to twenty-four months. (S)

There have been such areas of progress. Confidence and trust are increasing. American business is asking not should they invest in Russia, but how should they invest in Russia. (S)

President Putin: We now enjoy good interaction through many channels: through our foreign ministers, our economic ministers, our defense ministers. The lifeline of contacts is helping the relationship in a very tangible manner. (S)

I agree with Secretary Evans that the growing security and confidence in our relations helps build economic confidence as well. There are also new problems emerging. In my intergovernmental meetings we can no longer sit the Minister of Economy next to the Minister of Agriculture! This is all because of your Secretary of Commerce and his influence. (S)

It is a minor detail, but nevertheless characteristic of the new level of our relations . . . ten years ago we would never have been able to predict that we would be arguing over agricultural issues. (S)

But seriously, agriculture is sensitive for us. We face restrictions from many sides. I understand that this is coming less from North America, but the EU does not follow the rules. (S)

The EU keeps adding new rules, many of which are not transparent. They have nearly closed the Russian Federation out

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of the wheat market in Europe. We have an 80-year history of trade with Europe, almost 5 million tons. The EU has raised and then raised again, and then blocked outright our exports. They subsidize EU farmers and then dump the product on the Russian market. ~~(S)~~

On steel, we see this type of problem everywhere, everywhere. ~~(S)~~

Minister Koptev, please. (U)

Minister Koptev: I'd like to address our air and space cooperation. ~~(S)~~

We are very satisfied with the ten years of high technology and space technology, which started with an agreement signed under the first Bush Presidency. Today we have over 21 active projects. We are the main participants in the International Space Station. ~~(S)~~

It is very important that we move to a new level of confidence, not just government-to-government, but also business to business. This is indicative of a new trend. ~~(S)~~

There are funds available to invest in development. Now the task is to simplify the process. To aid this, we should set up a coordination agency between governments to analyze our cooperation and develop proposals for further cooperation. We need to build on our current good base of cooperation. We need the support of the Presidents for this proposal. ~~(S)~~

President Putin: Secretary Evans mentioned energy, so perhaps we should now hear from Minister Rumyantsev. ~~(S)~~

Minister Rumyantsev: Our cooperative activity has been going on in this area for a long time. It is now time to start the next ten year phase of our cooperation. ~~(S)~~

As for non-proliferation, I want to stress the important role that the U.S. Department of Energy has played, but it could be more fruitful if the Russian Federation were allowed to be a player in the U.S. fissile material market. There should be opportunities for plutonium and uranium sales in the United States. ~~(S)~~

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President Putin: In our meeting, President Bush and I talked about our good cooperation in both the Russian Federation and other third country cooperation on hydrocarbons. (S)

Minister Yusufov: Our cooperation on energy is good. The Russian Federation is a reliable supplier of oil to world energy markets. (S)

We appreciate the U.S. investment in the oil sector of the Russian Federation. In our Working Group with the Department of Energy, we are considering new investment projects. (S)

Sakhalin I and the Caspian Pipeline Consortium are good examples of our cooperation to develop Russia's export potential. The Russian Government is trying to expand our port infrastructure. (S)

We want U.S. help in obtaining finance for Russian firms. We also want to work with you to obtain high-tech energy efficient technologies. We should also work together in the environmental sphere and on climate change. (S)

President Putin: Iraq is a case in point. The United States gets twenty-five percent of its oil from Iraq, and only 0.2 percent from Russia. Russia is the largest producer of oil in the world. (S)

I would like to make a proposal. If the United States would use Russian oil to fill its Strategic Petroleum Reserve, it would be powerfully symbolic. (S)

The President: I would sure rather you than Iraq get our dollars. (S)

President Putin: We should turn to military cooperation, Minister Ivanov? (S)

Defense Minister Ivanov: I am pleased that discussion has not been just about security issues! (S)

Yes, there are issues on the security side, counterterrorism, nonproliferation, but our cooperation is also of a new level of quality. We are now adopting joint rules of the game. (S)

On the treaty we are signing today, I believe this is the fruit of the many hours of effort by the Department of State, the Ministry of Foreign Affairs, the Department of Defense, and the

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Ministry of Defense. We have had hours of meetings with Rumsfeld. ~~(S)~~

Now we need to implement the mechanism between the Ministry of Defense and the Department of Defense. ~~(S)~~

Our cooperation and trust in the counterterrorism field has softened over the past twelve months. You should know that the Ministry of Defense is prepared to firm up this relationship again. ~~(S)~~

President Putin: Are we ready to turn to our treaty signing? We'll have time for more discussions tomorrow. (U)

-- End of Conversation --

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